

Internal Revenue Service
memorandum

CC:INTL:0743-89

Br5:CMurphy/MGillmarten

date: JUN 14 1989 JUN 14 1989

to: Chief, Examination Division, New Orleans District, SE:NO
ATTN: Fred Schmitt, Case Manager

from: Chief, CC:INTL:Br5

subject: [REDACTED]

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Pursuant to your telephone conversations with Ms. Gillmarten of this office, attached is a copy of the memorandum drafted by this office in response to your request for informal consideration of a 1968 TAM to the subject taxpayer. The memorandum clarifies the proper use of the profit and loss (P&L) method of accounting for currency gains and losses as applicable to life insurance companies. It points out that life insurance companies may use the P&L method, and indeed, after the 1986 Tax Act are generally required to use the P&L method, but the companies using P&L must have an auditable account reflecting currency gains and losses which are recognized in the event of a "remittance" to the home office or termination of the branch.

We continue to actively review the other issues you and Arlene Bloom, of the District Counsel's office, have referred to us under a separate request but arising from the examination of the same taxpayer: the allocation of the small life insurance company deduction for purposes of calculating the foreign tax credit limitation ratio, and the proper apportionment of the §809(g)(5) reduction in equity base for purposes of calculating the foreign tax credit ratio.

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If we can be of further assistance, please do not hesitate to call Mary Gillmarten at FTS 566-6284 or Carol Murphy at FTS 566-6795.

Sincerely yours,

Robert A. Katcher
Robert A. Katcher, Chief
Branch 5
Office of the Associate
Chief Counsel (INTL)

cc: Arlene Bloom
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